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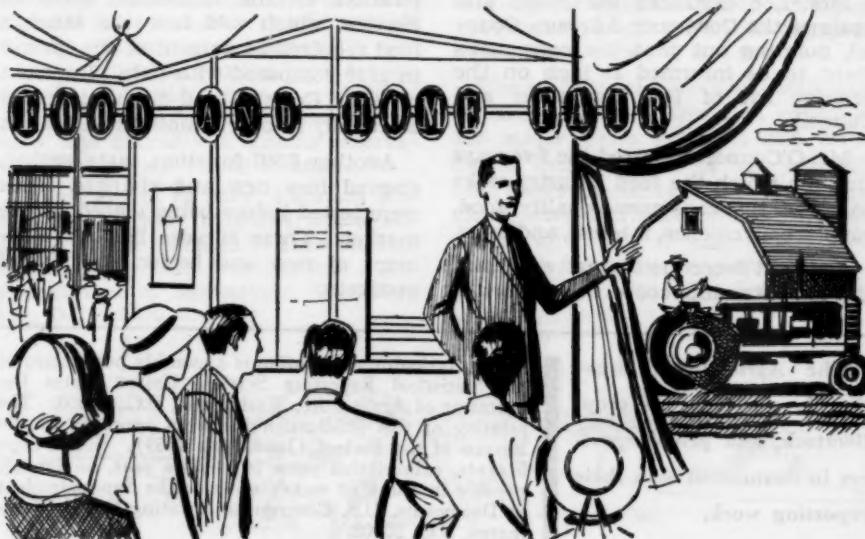
Agricultural Situation

FOOD AND HOME FAIR TELLS STORY TO CONSUMER

The role of USDA was explained to thousands of consumers at the recent Food and Home Fair in the patio of the Department's Administration Building in Washington. This report to consumers was designed to help the buying public make better use of USDA services and safeguards. Others throughout the Nation who were not able to visit the fair personally, received

this information through press, radio, and television.

This "bridge between the farmer and the consumer" showed the countless services offered the public by agriculture. Featured were demonstrations showing the new uses for agricultural products and many products that have been improved through USDA research.



The fair was officially opened by First Lady Mrs. Lyndon B. Johnson. Introduced by Secretary Orville L. Freeman, Mrs. Johnson and other honored guests were then escorted on a preview tour of the many colorful exhibits and demonstrations.

Highlights of the fair's second day was Secretary Freeman's "Report to Consumers from USDA," and a panel discussion on "What the Consumer Wants to Know." Secretary Freeman explained that "while abundance of food and bargain prices is USDA's most obvious service, the Department also serves consumers in dozens of less apparent ways. The Department of Agriculture provides 50 different services—more than any other Federal agency."

Panel members were Mrs. Esther Peterson, Special Presidential Assistant for Consumer Affairs and Assistant Secretary of Labor; Mrs. John G. Lee, Chairman of the President's Consumer Advisory Council; Michael J. O'Connor, Executive Director of the Super Market Institute; and George L. Mehren, Assistant Secretary of Agriculture.

Mrs. Peterson called for a continuing program of consumer education of national scope. She urged establishment of information centers throughout the United States to help people shop more wisely.

Mrs. Lee explained the origin and goals of the Consumer Advisory Council, pointing out that the consumer's right to be informed is high on the priority list of the Committee and Council.

Mr. O'Connor discussed the five ways through which the food industry seeks to serve the consumer—quality food, supply, convenience, interest, and price.

Assistant Secretary Mehren explained the long-standing cooperative effort in

which USDA works with farmers and with the food industries to serve the consumers.

Demonstrations were the highpoints of the fair each day—covering many phases of USDA service to both the producer of agricultural products and the consumer. For example, the visitors saw clothing made from materials that have unusual qualities because of USDA research on cotton, wool, and leather. Shown were stretch cotton that "gives" without bagging; flame-retardant cotton that is used in hospitals and firemen's coats and has promise for use in draperies and bedding; and permanently pleated washwear cotton.

Fabrics for the future included washable wool that is shrinkproof and can be machine washed at home; permanently creased pleated wool that doesn't require laborious pressing; and perspiration-resistant leather.

The Statistical Reporting Service showed how it surveys consumers about their clothing likes and dislikes, with particular emphasis on the natural fibers—cotton and wool. Findings from similar studies help producers and manufacturers know what the public wants from fabrics and helps them meet these needs.

Consumers were shown how *Food Continues to be a Bargain* in a demonstration by the Economic Research Service, which told how the family's food required 26 percent of the budget in 1929 compared with only 19 percent in 1963. Costs of food did not increase as rapidly as other family living items.

Another SRS function, taste testing, showed how new and changed foods were tested before being placed on the market. These surveys help development of new and better agricultural products.

The Agricultural Situation is sent free to crop, livestock, and price reporters in connection with their reporting work.

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MILK PRODUCTION THIS YEAR EXPECTED TO TOP 1963 FIGURE

Milk production in 1964 will probably be about a billion pounds above last year's output of 124.8 billion.

During the first quarter of this year production was 30.9 billion pounds compared with 30.4 billion in the same quarter of 1963. Average daily production was up about 0.5 percent.

January output was the same as a year earlier—about 10.1 billion pounds.

NEW INCOME SOURCE FOR FARMERS

The business side of on-farm vacations for city dwellers, a growing enterprise and new source of income for some farm families, is discussed in a new USDA report.

An Economic Research Service study in Ohio states that a few farmers grossed more than \$2,000 from this seasonal business in 1963. Ohio farms included in the study charged \$35 to \$50 per week for adults and \$25 to \$30 for children for rooms and meals.

The report states that farmers face advantages and disadvantages in the vacation business. On the one side, farmers have a chance to add to their income and meet people who bring new ideas and interests to the farm family. On the other side, there is additional work in caring for guests, loss of privacy, and difficulty in spacing reservations during the entire summer.

Single copies of *Farm Vacation Enterprises in Ohio*, ERS-164, are available from the Division of Information, Office of Management Services, U.S. Department of Agriculture, Washington, D.C., 20250.

In February the Nation's cows produced 9.8 billion pounds, 3.9 percent more than a year earlier. March output reached 11.0 billion pounds, a gain of 1.2 percent over March of 1963. The gain in the first quarter is attributed to milder weather this year and increased grain and concentrate feeding.

First quarter milk-feed price ratios averaged 1.40 compared with 1.36 in the first quarter of last year. This gain resulted from increased prices received for milk and slightly lower feed prices. The ratio is expected to continue slightly higher in the second quarter than a year earlier.

The relationship of milk prices to prices for other livestock products also continued to be more favorable to milk production during the first quarter. The milk-beef price ratio averaged 0.18 compared with 0.16 in the same period of 1963. This is the highest first-quarter level since 1957.

Even though second-quarter beef prices are expected to remain at about the first-quarter levels, the milk-beef price relationship probably will continue to be more favorable for dairying than last year. The milk-hog price ratio in the January-March period of 1964 averaged 0.23 compared with 0.22 in the first quarter of last year.

The average price for whole milk sold in half-gallon containers in stores in 125 major cities averaged 46.5 cents during January-April of this year, 0.9 cent above the same quarter last year. Continuing increased processing and distribution costs, as well as small increases in the prices farmers receive for milk, are likely to keep retail prices above 1963 levels.



Milk Production—Continued

The average milkfat content of milk produced in the United States declined from 3.74 percent to 3.72 percent in 1963—continuing a trend dating back to the early 1950's. The 1963 percentage was 4 percent below the figure for 1953, the largest drop in a decade since data tabulation began. The change in fat content has important implications for producers, dairy plants, and the USDA price support program.

The 4-percent increase in total milk production for 1953 to 1963 offset the reduced fat content with a result that total fat production last year was about the same as 10 years earlier.

The average fat content of milk has dropped in every region, but the largest decline since 1953 was in the South Central Region—10 percent. The smallest decline, 1.6 percent, was in the North Atlantic States.

The reduction in fat content of milk does not mean all dairymen produce lower-test milk—some have even raised their test by breeding programs. However, it appears that the trend toward milk of lower fat content is likely to continue, but at a declining rate.

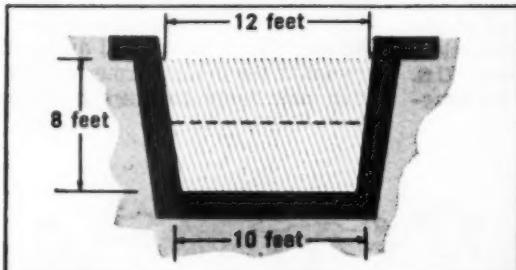
In some cases, pricing plans have contributed to these changes. A change in pricing methods occurred in many fluid markets when Federal orders were established in the postwar period. Instead of a flat price without regard for test, prices were established on the basis of a hundredweight of basic test milk with fat differentials tied to butter yields and current butter prices. Adoption of changed pricing plans in some areas, including new protein pricing plans, puts emphasis on total solids, rather than fat alone.

Anthony G. Mathis
Economic Research Service

Here's How: Trying to figure out how long your feed supplies will last? Here's how to calculate the tons of silage in your trench silo.

If the silo is eight feet wide at the bottom and 12 feet wide at the top of the silage, the average width of the part of the trench containing silage is 10 feet. The silage averages eight feet deep and the silo is 50 feet long. Here's the formula to use:

Average width \times length \times depth of silage
 \times tons per cubic foot of depth = tons of silage
 $10 \times 50 \times 8 \times 0.0128 = 51.2$ tons



Depth of settled silage Feet	Tons per cubic foot
1	0.00925
2	0.00985
3	0.01040
4	0.01090
5	0.01140
6	0.01190
7	0.01235
8	0.01280
9	0.01320
10	0.01365
11	0.01405
12	0.01445
13	0.01490
14	0.01530
15	0.01565

1964 LIVESTOCK SITUATION REACTING TO LARGE SUPPLY

Cattle prices peaked in the fall of 1962 when Choice steers at Chicago averaged over \$29 per hundredweight.

In response to such favorable prices, cattlemen stepped up beef production. Steer and heifer beef production in the first quarter of 1963 rose 5 percent above a year earlier and has averaged higher ever since.

The rate of increase during 1963 picked up—the last three quarters were up 12, 14, and 18 percent, respectively.

Fed cattle prices started dropping last year as production increased. Choice steers at Chicago dipped below \$23 in May and June of last year, rallied above \$24 in the summer months, and then fell off again in the fall. They averaged about \$22 at the end of the year and stayed near this level in early 1964.

Large marketings in the first quarter of 1964 continued to keep pressure on prices. Commercial cattle slaughter was up 8 percent from a year earlier, and beef production was up 11 percent because of heavier live weights of the cattle slaughtered.

Fed cattle slaughter has continued high and likely will remain so this summer. Steer slaughter under Federal inspection was up 13 percent and heifers were up 7 percent. These high rates resulted from increased numbers moving through feedlots to slaughter and an increase in nonfed cattle slaughter.

First-quarter marketings out of feedlots were up 10 percent from a year earlier and up 5 percent from the fourth quarter of last year. Cow slaughter also increased over a year earlier.

Fed cattle slaughter the rest of this spring and summer likely will remain large. On April 1 there were 8 percent more animals weighing more than 900 pounds on feedlots than a year earlier. The 700-899 pound group was up 9 percent. Those under 700 pounds were down 8 percent.

As of April 1 cattle feeders intended to market 6 percent more cattle in the

second quarter than they did a year earlier. This would be about 3 percent larger than in the first quarter of this year.

In the first quarter cattle feeders reacted to previously favorable price prospects for this spring and summer by putting on feed a large number of cattle that would reach slaughter weights before midyear. This means that the previously expected lull in feed marketings for the spring and summer is no longer likely to occur. The reaction early this year to future market prospects was very fast and large; it could not have taken place without the large available supply of all types of feeder cattle.

The number of cattle suitable for feedlot finishing was up about 2 million head from a year earlier at the beginning of the year and feeder cattle supplies are still large.

The large number of heavyweight cattle placed on feed in the first quarter served to insure heavy slaughter weights this summer. Heavier weight feeder cattle indicate older animals being placed on feed, many of which may not make the desired grade until quite heavy. Of course, any shift to marketing cattle with a lower degree of finish will mean an easing off in slaughter weights.

Fed cattle prices in the second half of the year will depend upon the movement of the abundant supply of feeder cattle into feedlots this spring and summer. Prices of fed cattle may show a modest improvement over spring levels in the last half of 1964 if range conditions are very good and many feeder cattle stay on grass through the summer instead of moving into feedlots.

But the plentiful supply of animals for feedlot finishing points to continued heavy placements and slaughter, particularly if range conditions are poor. These conditions could prevent even a modest improvement in prices.

Anthony S. Rojko
Economic Research Service

EARLY 1964 FIGURES SHOW TOBACCO USE DOWN

In 1963 the record output of cigarettes in the United States was matched by a new high in consumption—U.S. smokers consumed 524 billion of the total 550½ billion cigarettes produced.

During the first quarter of 1964, cigarette consumption declined moderately. Filter tip cigarettes comprised nearly 58 percent of total 1963 output. King size filter tips showed the largest increase in 1963, up 12 percent from a year earlier. This more than offset an 8 percent decline in consumption of regular size nonfilter cigarettes.

U.S. smokers consumed 95 percent of last year's record cigarette output. Per capita consumption rose 2 percent above 1962 to 4,325 cigarettes—almost 217 packs of cigarettes per person (18 years and over).

The United States remained the world's largest exporter of cigarettes during 1963, with shipments totaling 23.6 billion. This was 2 percent lower than in 1962 but above every other year since 1948.

During the last half of 1963 cigar and cigarillo consumption also trended upward. Smokers consumed nearly 7.3 billion cigars—3 percent more than in 1962 and the highest number since 1923.

Sales of cigars and cigarillos retailing for 6 cents or less accounted for most of the rise in consumption.

During the first quarter of 1964, cigar and cigarillo sales were up sharply. The number of small cigars (cigarette size) smoked in 1963 rose 70 percent from 1962 and jumped even higher the first quarter of 1964.

Cigar exports increased sharply last year, setting a new record high at 33 million. The major part of the increase was to France—over 9 million

were shipped in 1963 contrasted to less than 1 million in 1962.

Consumption of smoking tobacco in pipes and "roll your own" cigarettes totaled nearly 71 million pounds last year, down nearly one-half million pounds from 1962.

The decline occurred in "roll your own" cigarettes; tobacco used in pipes remained near the 1962 level. But, in the first quarter of 1964, smoking tobacco sales increased sharply.

Output of chewing tobacco in 1963, set at 65.3 million pounds, topped 1962 by about 1 percent. Manufacture of scrap chewing increased 1.7 million pounds to a 7-year high and more than offset a 1 million pound drop in plug chewing tobacco output.

Snuff production in 1963 was the lowest in 50 years, dropping 4 percent to 31.8 million pounds.

The 1963 season average price for flue-cured tobacco was 58 cents per pound—about 2 cents lower than in 1962 and more than 6 cents below the price level in 1961.

About 20 percent of the 1963 crop went under Government loan compared with just under 17 percent in 1962.

The 1963 season average price for burley tobacco was 59 cents per pound—about a half cent higher than in 1962 but over 7 cents below the 1961 level. The 1963 crop was the largest on record. Over one-fourth of the crop went under Government loan compared with under a tenth of the 1962 crop.

Government price support levels for 1964 tobaccos eligible for price support are 1 percent higher than for 1963. The increase results from the rise in the parity index. The parity index measures changes in prices of



commodities and services commonly bought by farm families.

Unmanufactured tobacco exported from the United States in 1963 totaled about 570 million pounds, farm-sales weight. This was 8 percent above 1962 and the highest since 1956.

Total value of 1963 tobacco exports was placed at \$403 million—up 8 percent from 1962 and above the declared value in any previous year.

Four-fifths of total tobacco exports were flue-cured. The better quality available from the 1963 crop contributed to the increase in exports.

The United Kingdom, our Number 1 market for tobacco leaf, increased takings 43 percent over 1962 and accounted for over a fourth of total exports.

West Germany and the Netherlands, our second and third largest markets respectively, each took 6 percent more tobacco leaf.

Flue-cured tobacco exported from the United States meets competition mainly from that grown in Rhodesia-Nyasaland, Canada, and India.

In 1963 tobacco shipments from all these countries were below 1962 levels, when Rhodesia-Nyasaland and India

had record tobacco exports. The current crop in Rhodesia-Nyasaland is about 60 percent larger than last year and a new record high.

U.S. imports of foreign-grown tobacco for consumption last year totaled nearly 168 million pounds, about 3 percent more than in 1962 and the highest on record.

Value of tobacco imports, however, was around \$99 million, 2 percent below the previous year.

Imports of cigarette leaf for domestic consumption rose 1 percent in 1963 and comprised over 75 percent of all tobacco imports.

Imports for consumption of cigar tobacco rose 8 percent. Use of Cuban tobacco from stocks already in the United States was down sharply.

Stocks of Cuban tobacco in the United States were down to 15.8 million pounds this April, one-third below last year and nearly 60 percent below the comparatively high level two years ago.

Substantial increases occurred in the use of tobaccos from the Philippine Republic, Colombia, Dominican Republic, Brazil, and Indonesia.

Arthur G. Conover
Economic Research Service

1963 MILK PRODUCTS OUTPUT

Production of evaporated whole milk decreased in 1963, but output of canned sweetened condensed whole milk increased.

Estimated production of evaporated whole milk was 1.9 billion pounds in 1963—3 percent below a year earlier and the smallest annual output since 1935.

An estimated 78.9 million pounds of canned sweetened condensed whole milk was produced last year, 8 percent more than in 1962 and the largest annual production since 1949.

The dry milk side of the ledger shows production of nonfat dry milk for human consumption was 2.1 billion pounds, down 4 percent from the record high level of the previous year, but 20 percent above average.

Total output of spray-dried nonfat milk in 1963 was 2.0 billion pounds, off 4 percent from 1962 but 24 percent above average.

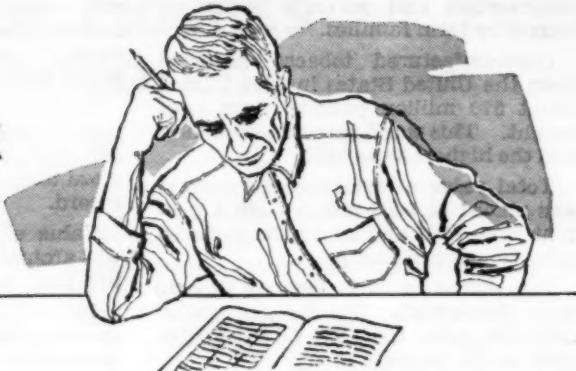
Roller-dried nonfat milk production during 1963 totaled 98.8 million pounds, which was 16 percent below the previous year's output and the smallest annual production of record.

Dry whole milk production was 78.7 million pounds in 1963—fractionally less than in 1962—and dry buttermilk production increased 1 percent to 87.3 million pounds.

Production of dry skim milk for animal feed totaled 28.0 million pounds in 1963—7 percent less than in the previous year, but 17 percent above average.

I. E. Wissinger
Statistical Reporting Service

outlook



Based on Conditions as of June 5, 1964

CATTLE PRICES

Fed cattle prices in the second half of the year will depend largely on the movement of the abundant supply of feeder cattle into feedlots this spring and summer. If placements in coming months are near the same months last year, prices in the last six months of 1964 may show a modest improvement over current levels. However, if placements continue at a stepped up rate not even a modest improvement in cattle prices would be likely. Pork and imported beef supplies are expected to average lower in July-December, tending to reduce the overall meat supply for consumption.

CHEESE

Cheese stocks are increasing seasonally—a little more rapidly than last year because of this year's increase in cheese production. Commercial cold storage holdings of American cheese at the end of April were 3 percent lower than a year earlier. Government holdings totaled only 7 million pounds compared with 33 million a year earlier.

FED CATTLE SLAUGHTER

A continued high rate of fed cattle slaughter is in prospect for the rest of this spring and summer. The number of cattle on feed on April 1 was up 1 percent from a year earlier and those in the heavyweight groups that make up

the bulk of marketings out of feedlots were up 8 percent. Placements of cattle in feedlots were 20 percent greater in the first quarter than a year earlier. And many were heavy—the kind that can reach finished slaughter weights in less than six months.

MILK CONSUMPTION

Civilian consumption of all milk products in 1964 is expected to increase about 1 billion pounds milk equivalent over last year. The increase probably will occur primarily from commercial demand. Increased consumption of milk in school lunch and special milk programs is also expected.

DAIRY RECEIPTS

Cash receipts from farm marketings of dairy products for 1964 may increase 1 to 2 percent above 1963 levels as a result of increased sales and prices.

HOG PRODUCTION

Hog production is being cut back after 2 years of expansion—a 3- to 4-percent decline from 1963 expected. Hog prices this year will be a little more favorable, relative to production costs, than in 1963. When this has happened in the past, farmers expanded output. Therefore, more sows probably will farrow next year than in 1964, but this increase will not influence slaughter supplies until the second half of 1965.

FARM PRODUCTION EXPENSES CLIMB SHARPLY SINCE 1950

Production expenses in total rose sharply from 1950 to 1962. Inputs of farm origin—feed, seed, and livestock—took a slightly larger share of total expenses in 1962 than in 1950.

Goods and services used in farm production yielded about the same output in 1962 as in 1950, but the rate of returns to agriculture declined because of a drop in prices received relative to prices paid.

Total farm production expenses, excluding net rent to nonfarm landlords and certain expenses applicable to farm operators' dwellings, increased at an average annual rate of 3.5 percent, or 51 percent from 1950 to 1962.

This change resulted from a 26-percent increase in the quantity of goods purchased and a 19-percent increase in prices paid. Over one-fourth of this increase was accounted for by expenses for taxes, depreciation, and

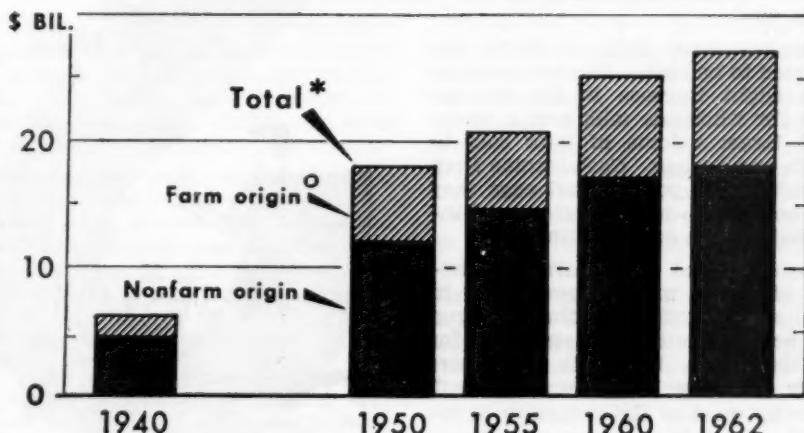
interest on the farm mortgage debt. Such expense items are rather inflexible, changing only slightly or not at all, with short-term changes in output.

In 1950, one dollar of gross income from farming, was derived from 56 cents of production expenses. By 1962, outlays for purchased goods and services had risen to 70 cents per dollar of output. Measured in real terms, the units of purchased inputs used to produce a unit of income, remained fairly stable over the entire period.

During the period, there was a shift in distribution of total production expenses by major expense categories. For example, expenditures for purchased feed rose from 19 cents for each dollar of total production expenses in 1950 to 21 cents in 1962. This increase is probably the result of a greater proportion of livestock farms and more livestock on each farm.

Q. Francis Dallavalle
Economic Research Service

PRODUCTION EXPENSES FOR ITEMS OF FARM AND NONFARM ORIGIN



* TOTAL EXCLUDES NET RENT TO NONFARM LANDLORDS AND SELECTED OPERATORS' DWELLING EXPENSES.
O PURCHASED FEED, LIVESTOCK, AND SEED.

FARM INCOME PROSPECTS . . . THE STORY FOR 1964

Prospects for farm income in 1964 have been enhanced by the new farm legislation—primarily from the income-supplementing features of the new wheat program.

Realized net farm income this year may be somewhat short of the \$12.3 billion of 1963, but by less than the 5 percent or more than was forecast last fall.

Cash receipts from farm marketings this year probably will be slightly lower than the record high in 1963. Marketings of livestock and livestock products will be larger in volume than the record last year but prices will probably be lower.

Crop marketings may be about the same in volume as in 1963, but prices will likely average lower. Receipts from crops will be augmented by increased payments to farmers for participation in the 1964 wheat, cotton, and feed grain programs.

Income from meat animals in 1964 will be about the same as last year. Cattle and calf prices at the farm will average lower, but marketings will be larger than in 1963. Hog prices are expected to average higher this year as slaughter probably will be below last year's level.

Receipts from dairy products are expected to be higher this year because of a slight increase in the average price for wholesale milk and a somewhat larger volume of milk sold to plants and dealers. Cash income from marketings of poultry and eggs may also be higher—mainly because of increased volume of marketings.

Cash received from farm marketings of wheat will be lower than in 1963; average prices for the 1964 crop will be substantially below those for the 1963 crop. Payments to farmers under the new wheat program will make up most of the reduction in receipts. Marketings of corn by farmers are expected to be larger this year than in 1963, but prices may average slightly lower. Total receipts from feed

crops are expected to be somewhat higher in 1964. And, payments to farmers under the 1964 Feed Grain Program will run substantially higher this year than last.

The tobacco picture will show little change from last year with higher prices about offsetting a smaller volume marketed.

Some cutback is expected in cotton plantings under the domestic acreage allotment program. Farmers will receive supplementary payments under the new cotton legislation for 1964.



Although record soybean marketings are expected in 1964, prices may average slightly lower than last year. Total receipts from soybeans may be up a little. Cash receipts from other oil bearing crops—peanuts, flaxseed, and tung nuts—likely will be close to last year despite some reductions in plantings.

Some small improvement is in prospect for potato prices this year. Truck crop prices may average above 1963 levels and cash receipts from all vegetables will likely be higher than in 1963. Cash receipts from farm marketings of fruits and nuts may also be slightly higher this year, mainly because of higher citrus prices.

Farm production expenses, which have increased each year since 1953, will probably continue to climb in 1964. Generally higher prices and increased inputs of some of the more important production items will probably combine to increase production expenses about \$500 million above the 1963 level of \$28.8 million.

Expenditures for purchased feed are expected to increase. Prices paid by farmers for feed will likely be up.

Fertilizer prices this year are expected to hold firm at 1963 levels, but the quantity of fertilizer used is expected to increase.

The hired farm labor bill may be close to that of last year as the number of hired workers continues to decline and farm wage rates rise again. Tax and interest outlays will be up again this year—charges per acre for taxes are running 5 percent higher and those for interest about 12 percent higher.

Cash receipts from farm marketings in the first quarter of 1964 hit an estimated \$8.2 billion, about the same as a year earlier. An increased volume of marketings was offset by a drop in the average price received for farm products.

During the first quarter of this year cash receipts from livestock and livestock products was estimated at \$4.7 billion, down fractionally from a year earlier mainly because of lower prices for meat animals. Cattle and calves and hogs brought smaller receipts. Farm marketing of milk was up from the first quarter of 1963.

Mardy Myers
Economic Research Service

THE VEGETABLE PICTURE . . . PRODUCTION AND CONDITIONS

Total production of fresh vegetables for marketing this spring is expected to be a little smaller than a year earlier. Nearly all of the decline, however, reflects smaller output during the early portion of the spring harvest season.

Supplies of early spring broccoli, sweet corn, and lettuce were materially smaller than in 1963, and supplies of early spring cabbage and tomatoes were down moderately. The snap bean crop in Florida and the onion crop in south Texas were the only major early spring vegetables in heavier supply.

Despite unfavorable weather in many areas, marketings are increasing seasonally. Supplies of vegetables for harvest during the late spring—mostly in late May and June—are expected to be moderately larger than in 1963, and slightly above average.

Production of late spring asparagus is up sharply from last year; slight to moderate increases are likely for snap beans, cabbage, lettuce, and onions. Moderately larger supplies also are in prospect for spring carrots, celery, and spinach. However, green pepper supplies are substantially smaller than a year ago, and declines are in prospect for late spring sweet corn, cucumbers, and tomatoes.

Total melon supplies this spring are expected to be well below last year's relatively large output, but well above average. Because of less acreage and lower yields in both Florida and California, production of watermelons will be nearly a fifth smaller than the large tonnage in 1963.

Donald S. Kuryloski
Economic Research Service

WOOL PRODUCTION TO DROP BUT PRICES TO HOLD STEADY

Last year's trends in the wool industry—a decline in sheep numbers, less wool production, and greater use of man-made fibers on the woolen and worsted systems are expected to continue throughout 1964.

Also in line for this year are further declines in mill consumption of apparel and carpet wool, a moderate increase in imports of wool textile products, and a shift in wool use to lower grades of wool.

Domestic wool prices, however, are expected to average near the levels of the past two years because of favorable supply-demand conditions in the world market.

On January 1 this year, there were 28.2 million head of sheep and lambs on farm and ranches, including stock sheep and those on feed. This was a 6-percent decrease from sheep numbers a year earlier and 15 percent below the recent high on January 1, 1960.

The U.S. shorn wool production in 1964 is expected to continue last year's decline because of the further reduction in sheep numbers.

Last year production of shorn wool totaled 238 million pounds, grease basis, 4 percent less than in 1962. Pulled wool production also dropped 4 percent to 28.8 million pounds, actual weight.

The 1963 production of shorn and pulled wool had a clean weight equivalent of roughly 129 million pounds.

Grower prices for shorn wool last year averaged 48.5 cents, the highest since 1957 when prices for the year rose to 53.7 cents.

Shorn wool incentive payments in the 1963 marketing year amounted to \$27.80 for every \$100 received from the sale of shorn wool during the period April through December. This was the amount needed to bring the average wool price of 48.5 cents up to the previously announced incentive level of 62 cents.

Thus far in 1964 wool prices have been averaging moderately above last year's. The mid-month price in April was 53.6 cents per pound, 8 percent higher than a year earlier.

However, average prices likely will decline moderately during the remaining months of the 1964 marketing year because of the weak U.S. mill demand for wool and the shift to other lower priced fibers.

Mill consumption of raw wool in 1964 is expected to total under the 412 million pounds, scoured basis, used in 1963. Both apparel and carpet wool use are likely to be less.

At the seasonally adjusted rates of early 1964, apparel wool mill use should total somewhere between 230-235 million pounds, compared with 251 million pounds in 1963. Carpet wool mill use probably will amount to 140-145 million pounds compared with 161 million in 1963.

Total fiber use on the woolen and worsted systems is not expected to decline as much as that of raw wool. The proportional use of the lower price man-made and reused and reprocessed wool fibers likely will increase.

During the first quarter of 1964, apparel wool mill use was 15 percent less than in the same quarter of 1963. This lower rate is likely to continue since the ratio of inventories of finished wool apparel fabrics to unfilled orders is increasing.

Besides less use of wool, there was also a shift to more use of low quality wools and man-made fibers during the first 3 months of this year.

Carpet wool mill use through March of this year was 20 percent below the comparable quarter of 1963. The decrease in carpet wool use was the result of high carpet wool prices and a significant shift in use to man-made fibers.

Although carpet wool use was down in the first quarter, total use of all fibers

in the spinning of carpet and rug yarns rose 3 percent, mainly the result of a 97 percent increase in the use of acrylic and modacrylic fibers.

Imports of dutiable and duty-free raw wool are expected to be lower this year than last because of the anticipated lower mill use. Dutiable raw wool imports during the first quarter of 1964 totaled 26.5 million pounds, clean content, which is 36 percent less than in the same quarter of 1963.

Imports of duty-free raw wool through March amounted to 32.1 million pounds, clean content, 26 percent below the first 3 months of 1963.

This substantial decline in wool imports is the result of a weak U.S. mill demand, a relatively high level of world wool prices, and a shift to the use of other fibers. In addition to fewer imports of raw wool, there have also been notable shifts to imports of lower grades of wool.

The United States' foreign trade in semiprocessed and manufactured wool textile products amounted to a record high import balance in 1963. This import balance had a raw wool equivalent of 147 million pounds, 4 percent more than the previous high in 1962.

Both imports and exports of wool textile products increased. Imports of apparel wool types—tops, yarns, woolen fabric, and wearing apparel—rose to a record high of 72.7 million pounds, not including those items imported through the Virgin Islands.

However, imports of carpets and rugs declined to 22 million pounds in 1963 from a record high of 29.5 million in 1962. This reduction is mainly the re-

sult of increased tariffs on Wilton and Velvet carpets.

Woven wool fabric production declined 8 percent in 1963 and cotton broadwoven goods dropped 5 percent to the lowest since 1959. In contrast, production of man-made fiber broadwoven goods increased to a record high. Of the woven wool fabrics, apparel fabric production was down and non-apparel fabric output up.

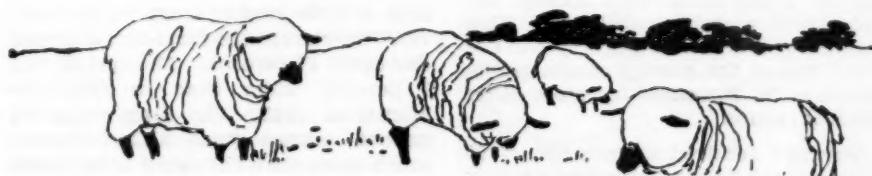
Manufacturers' shipments of tufted rugs and carpeting, especially those of roll goods, continued at record high levels in 1963. Wool and the noncellulosic man-made fibers increased usage and their share of the total fibers used in the manufacturing of tufted rugs and carpeting. The proportional use of rayon and acetate and cotton declined.

On the world scene, production and consumption of raw wool, manufacture of wool textile products, and foreign trade in wool textiles are near record-high levels this year.

Consumption in the last 3 years has been greater than production. As a result, commercial stocks are relatively low. This short-supply situation is likely to continue for the rest of the 1963-64 marketing year and into at least the first half of the 1964-65 year.

World prices can be expected to remain near mid-May levels for the remainder of the 1964 marketing season, although man-made fibers are increasing in use and the marketing of the spring clips in the Northern Hemisphere will partially alleviate the short-supply situation in most of the major manufacturing countries.

Charles E. Raymond
Economic Research Service



FARM-RETAIL PRICE SPREAD STEADY IN FIRST QUARTER OF THIS YEAR

If you measure the charges for marketing food products by the spread between their retail cost and their farm value, you find they were about the same in the first quarter of this year as in the preceding 3 months. They were also about the same as in the first quarter of 1963.

To measure the spread, USDA uses the "farm-food market basket," which contains the average amounts of domestic farm-originated food bought to eat at home by urban families in 1952.

Here's what the first-quarter figures show:

The food purchased by the family, when figured on an annual basis, cost \$1,078 at the grocery store. The farmer's share was \$395, leaving a difference of \$683—the farm-retail spread.

The total farm value of the products in the farm-food market basket, \$395, was up 1 percent from the preceding quarter. The fruits and vegetables group accounted for most of the increase. Farm values of processed orange products and most fresh vegetables were up sharply.

However, looking back a full year to the January-March period in 1963, the figures show the farm value dropped 1 percent in the year. The farm value of the meat products group was down 8 percent from the first quarter of 1963. But the fruits and vegetables group was 12 percent higher than in January-March of last year.

The slight rise in the farm value of the market basket food in the first quarter of this year, and the negligible change in the farm-retail spread, accompanied a stable retail cost. This stability resulted from a decrease in the retail cost of the meat products group, which offset increases for most other product groups.

Farmers received an average of 37 cents of each dollar consumers spent in retail food stores for farm-originated food in the first quarter of 1964. This was 1 cent more than in the previous

quarter and the same as in the first quarter of last year. During the preceding 10 years, the quarterly average farmer's share varied from a low of 36 cents in the second and fourth quarters of 1963, to a high of 44 cents in the first quarter of 1954.

The first quarter farm value for Choice beef was 41.3 cents per retail pound in 1964—6.3 cents lower than a year earlier and 2.4 cents lower than in the final quarter of last year. The farm-retail spread increased slightly in the January-March period of this year. So the retail price of beef did not drop as much as the farm value.

For pork, the retail price averaged 56.1 cents per pound in this year's first quarter, down almost a cent from the previous quarter and 1.6 cents below the comparable period in 1963. Most of the decrease from the previous quarter and two-thirds of that from the first quarter of last year, resulted from decreases in the farm-retail price spread.

Prices received by farmers for most of the fresh vegetables in the market basket were considerably higher in the first quarter of this year than they were in the previous 3 months because of reduced supplies. Output of some vegetables was reduced by frost damage. The farm-retail spread for all fresh vegetables in the market basket was about 2 percent smaller than a year earlier.

The farm value of frozen orange juice concentrate was up sharply in the first quarter this year when much of the supply was processed from new-crop oranges. Retail prices averaged only a little higher than in the previous quarter, so the farm-retail spread decreased 17 percent. The spread was 1 percent wider than in January-March of 1963. The farm value of canned orange juice also increased much more than the retail price, causing a 24 percent decrease in the spread.

Forrest Scott
Economic Research Service

NEW USDA BULLETIN INDICATES PROFIT FROM GIN MOTES

A new source of revenue to cotton ginners—gin waste material—is evaluated in a new USDA publication.

The byproduct, called "gin motes" consists of cotton gin waste that can be used for its fiber content. It is now burned at most gins.

The largest outlets for this substance are the bedding, automotive, and furniture industries, which also use large amounts of other cotton products.

The report states that the net profit to ginners studied was about \$14 for 500 pounds of baled motes and \$8 for the same amount sold loose. This increased income to ginners may slow further upturns in ginning charges, the publication suggests.

Single copies of *Reclaiming and Marketing Cotton Gin Motes*, ERS-168, are available from the Division of Information, Office of Management Services, U.S. Department of Agriculture, Washington, D.C., 20250.

Tart Cherry Report Lists Cost Factors

If a producer of tart cherries is to break even, his trees must yield at least 2.5 tons per acre when the farm sale price is 7.5 cents per pound and production costs are \$200 per acre, according to a new USDA report.

Yield per acre is a leading factor in cost per pound. For example, when the yield is 6 tons per acre the farmer's costs per pound were only about a third as great as when the yield was a ton per acre.

Sale price and growing cost were also important in determining net return from the production of tart cherries, the report states.

Single copies of *The Great Lakes Tart Cherry Industry—Production Costs*, ERS-171, are available from the Division of Information, Office of Management Services, U.S. Department of Agriculture, Washington, D.C., 20250.

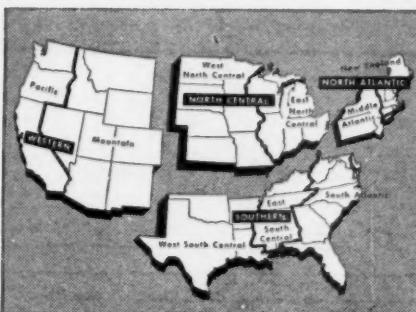
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